

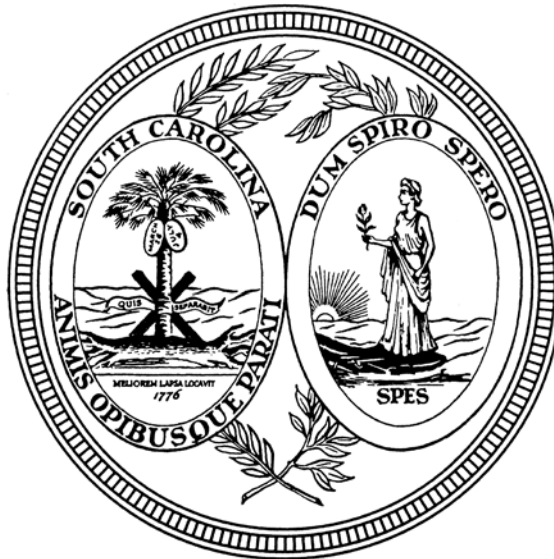


SOUTH CAROLINA GENERAL ASSEMBLY

Legislative Audit Council

November 2010

A REVIEW OF THE DEPARTMENT OF MOTOR VEHICLES



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Legislative Audit Council

A REVIEW OF THE DEPARTMENT OF MOTOR VEHICLES

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Introduction and Background

Audit Objectives

S.C. Code §56-1-5(F) requires the Legislative Audit Council (LAC) to conduct an independent review of the Department of Motor Vehicles (DMV) every three years. This is our second review of the agency. Due to limited resources, we determined whether recommendations from the previous audit had been implemented. In addition, we reviewed selected contracts which related to customer service. Our audit objectives were to:

- Determine how DMV monitors contracts and evaluate the effectiveness of that process.
- Determine the implementation status of the recommendations in the 2007 LAC audit of DMV.

Scope and Methodology

We reviewed the operations of the Department of Motor Vehicles relevant to our objectives. The general period of our review was the three fiscal years since the last LAC audit of DMV, FY 07-08 through FY 09-10, with consideration of earlier and more recent periods when relevant.

To conduct the audit, we used evidence which included the following:

- Data from DMV's finance, human resources, and call center operations.
- Federal and state laws and regulations.
- Interviews with DMV staff.
- Information from the Budget and Control Board's Materials Management Office.
- DMV policies and procedures.
- Information from the Federal Motor Carrier Safety Administration.

Criteria used to measure performance included federal and state laws and regulations, agency policy, and agency contracts. We reviewed internal controls in the monitoring of contracts and for some of the follow-up of previous recommendations. The use of computerized data was not central to our audit objectives. We tested the reliability of DMV's computerized data on call center operations and did not identify concerns about its accuracy.

We conducted this performance audit in accordance with generally accepted government audit standards with the exception of the general standard concerning quality control. Due to LAC budget reductions, funding was not available for a timely external quality control review. In our opinion, this omission had no effect on the results of the audit.

Those generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The Department of Motor Vehicles (DMV) was moved from the Department of Public Safety and became an agency in the Governor's cabinet in June 2003. The department is responsible for administering the state's motor vehicle laws. State law requires every motor vehicle to be registered and licensed. The motorists who operate those vehicles must also be licensed. As of December 2009, there were 3,907,227 S.C. driver's licenses and 3,906,300 S.C. registered vehicles.

DMV is headquartered in Blythewood, S.C., and has 69 field customer service centers throughout the state. At the end of FY 09-10, the department had 1,200 employees.

DMV processes transactions at its field offices, through the mail, and on its website. The following table shows the total number of DMV transactions, the number processed in field offices, and the number of online transactions. The remaining transactions are business-to-business transactions.

**Table 1.1: Transactions
FY 06-07 — FY 09-10**

TRANSACTIONS	FY 06-07	FY 07-08	FY 08-09	FY 09-10
Total	13,331,078	13,234,198	12,430,183	11,989,686
Field Office	6,353,789	6,238,113	5,710,478	5,366,207
Website	96,624	125,381	85,476	67,851

Source: DMV

DMV is funded by revenue collected from its operations and federal grants. The following table shows its appropriations and expenditures for FY 07-08 through FY 09-10.

Table 1.2: Appropriations and Expenditures FY 07-08 – FY 09-10

BUDGET CATEGORIES	FY 07-08		FY 08-09		FY 09-10	
	APPROPRIATIONS	EXPENDITURES	APPROPRIATIONS	EXPENDITURES	APPROPRIATIONS	EXPENDITURES
Personal Services	\$42,374,932	\$41,411,891	\$42,128,940	\$40,110,102	\$41,877,111	\$37,318,733
Other Operating	19,943,796	22,028,650	24,945,251	23,503,313	32,071,887	19,318,349
Special Items	5,000,000	2,445,041	11,002,126	12,304,575	4,000,000	2,259,323
Permanent Improvements		1,444,770		2,028,059		1,476,865
Fringe Benefits	13,652,018	13,976,513	12,429,925	13,619,096	12,357,422	12,793,667
TOTAL	\$80,970,746	\$81,306,865	\$90,506,242	\$91,565,145	\$90,306,420	\$73,166,937

Source: DMV

Chapter 1
Introduction and Background

Audit Results

Contract Management

We reviewed three contracts DMV entered into with private sector businesses for services related to customer service and satisfaction. All of these contracts were procured through a Request for Proposal process. The original contractual amount for all three of these contracts for the initial periods of service without any extensions is \$5,531,000. Based on our review, we found DMV should:

- Renegotiate one contract to avoid paying the same vendor for personnel services under one contract while using those same employees to provide services paid under a different contract.
- Determine the cost of services prior to negotiating a rate for those services with a vendor.
- Appropriately monitor one of its contracts to determine if the vendor is meeting contract specifications.
- Immediately discontinue paying for the unauthorized additional e-mail answering services for the call center contract unless approved by the Materials Management Office of the State Budget and Control Board.
- Include language in contracts stipulating a required timeline for when services must be rendered for installing and implementing new systems.

Two of the contracts under review are with the same vendor and involve personnel who work at DMV's headquarters in the customer call center utilized by the public, other state agencies, and insurance companies. One of these contracts for the Automated Liability Insurance Reporting System (ALIR) pays for call answering services for citizens and insurance companies with insurance issues. The other pays for call answering services for citizens with general and driver/vehicle issues. A third contract is for the customer queuing system and pays for the development of a new electronic queuing system to track transaction times and customer wait times in some of the DMV customer service centers.

Call Center Contract

In June 2008, a private business obtained a contract with DMV to answer general questions received by telephone at the call center. The contract allowed the company to be paid \$516,000 over two years. Within four months, the contract was amended to allow the vendor to answer overflow driver and vehicle calls previously handled by DMV employees; the company was able to earn an additional \$763,000 through this amendment, for a total of \$1.3 million. DMV did not conduct a comparative cost analysis to determine how much the amendment was worth, but instead accepted the rate provided by the vendor.

Finance

DMV issued a change order to the contract in September 2008 to include answering overflow driver and vehicle calls that DMV call center agents could not handle. According to DMV officials, they issued the change order because the volume of driver and vehicle calls fluctuates dramatically. Also, those calls are more complicated, requiring the use of DMV's internal Phoenix system which is the central database for license and registration information. In addition, DMV's call center employees were mostly temporary workers and the agency had difficulty training and retaining them in the call center.

Procurement

In November 2009, the vendor began answering overflow customer e-mails and charged DMV over \$53,000 through June 2010. However, the agency did not issue another change order because DMV officials considered e-mails included within the range of calls category. We asked the Budget and Control Board's Materials Management Office (MMO) if e-mails could be considered as being included under the original change order. An MMO official stated:

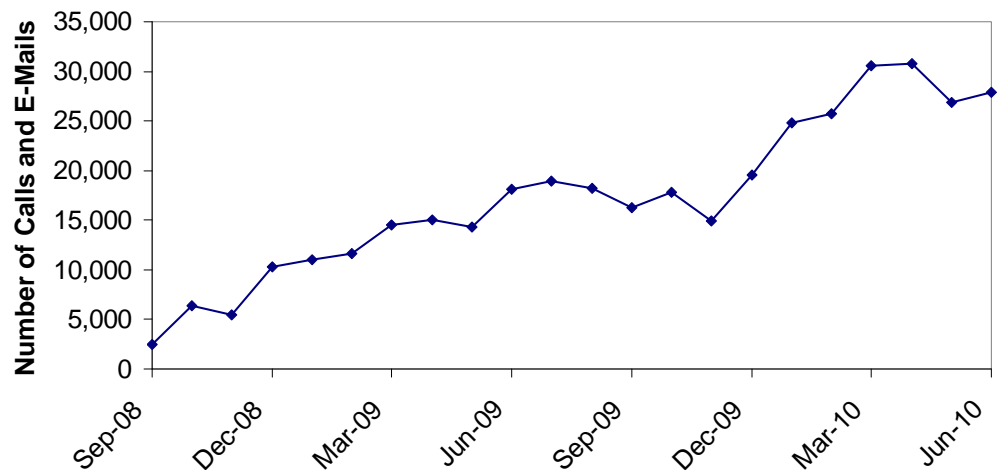
Since we don't believe that emails are covered by the contract through the change order, DMV should not have proceeded with the dollar expansion of the contract without our approval. Amendments to the contract required our approval as the awarding authority, but DMV did not gain our approval for email processing or the associated additional funds.

Since the email processing and additional funds were not approved by MMO, we asked what process would be used to prevent DMV from incurring additional expenses. An MMO official stated that while agencies:

...are not authorized to 'grow' the contracts awarded by this office without our approval, we do not have the means to regulate since we do not oversee (or even see, for that matter) payments made by agencies against our contracts. Therefore, we have no control over what agencies pay contractors under contracts awarded by this office.

DMV signed the contract in May 2008 and services began in June 2008. According to the original contract, the vendor would have been paid \$516,000 for the first two years. However, due to the change order, DMV paid over \$1.3 million over the two-year time period of June 2008 – June 2010. Because of the change order and the inclusion of e-mail answering services, DMV's use of the vendor's services for answering overflow calls and e-mails steadily increased from under 5,000 to around 30,000 in June 2010, as shown in Chart 2.1.

Chart 2.1: Overflow Calls and E-Mails Answered by Vendor from September 2008 - June 2010



E-mail answering services did not begin until November 2009.

Source: DMV

DMV has not conducted any formal analysis to determine the most cost-effective rate to pay for these services. DMV agreed to pay the vendor \$2 per call or e-mail to answer the overflow calls and e-mails. According to DMV officials, the vendor suggested this dollar amount and DMV calculated the cost per call prior to bidding the contract to be \$3.75. This amount was based upon a variety of factors including total labor cost, number of total calls, the number of employees, and the average number of calls each employee answers a day. These factors may change dramatically and DMV documentation confirms the average number of calls employees answer in a day increased since DMV calculated the estimated \$3.75 per call. Also, in June 2007, a consulting company hired by DMV estimated the cost per call to be \$1.65.

DMV could also consider other payment methods such as a flat monthly rate or an option to pay at a flat rate for a certain number of calls and then a per call rate for all calls/e-mails exceeding that amount. If DMV calculated the cost per transaction as recommended in the 2007 audit (see p. 14), it could more easily determine the most cost-effective rate to pay for these services. Also, other vendors might have been more responsive and provided the same services at a lower rate.

Monitoring

DMV has not monitored the vendor properly to ensure it is meeting contract specifications for driver and vehicle call answering services. In order to meet the original contract requirements for general skills calls, the vendor must answer 80% of calls within two minutes, have an average speed of answer of 30 seconds, and an average abandoned rate percentage no higher than 5%. The requirements set for the overflow driver and vehicle calls are to maintain an average service level of answering 80% of the calls within two minutes and an average abandoned rate no higher than 5%.

DMV officials monitor call center activity daily to ensure quality and productivity from both vendor and DMV employees. However, DMV does not track the call center activity separately for vendor employees answering overflow driver and vehicle calls. Therefore, DMV cannot determine if the vendor is complying with the contract requirements.

Automated Liability Insurance Reporting System (ALIR) Contract

To improve customer service and satisfaction, DMV contracted with the same vendor in October 2007 to implement the S.C. ALIR system, which collects automobile liability insurance information from insurers to identify and take action against uninsured motorists. Specifically, the contract requires the enhancement of the current system and the maintenance and operation of the system for a total price of \$4.2 million over a three-year period.

DMV pays the vendor a fixed rate of \$117,000 per month for an annual total of \$1,400,000. As part of this price, the vendor is required to provide call center employees to answer calls regarding insurance issues for both S.C. citizens and insurance companies. In October 2007, the vendor began providing services utilizing nine employees working in the call center answering calls. In May 2008, the vendor added one more employee. DMV documentation confirms the agency has paid the correct amount per month to date and the total amount paid under this contract is just over \$3.8 million.

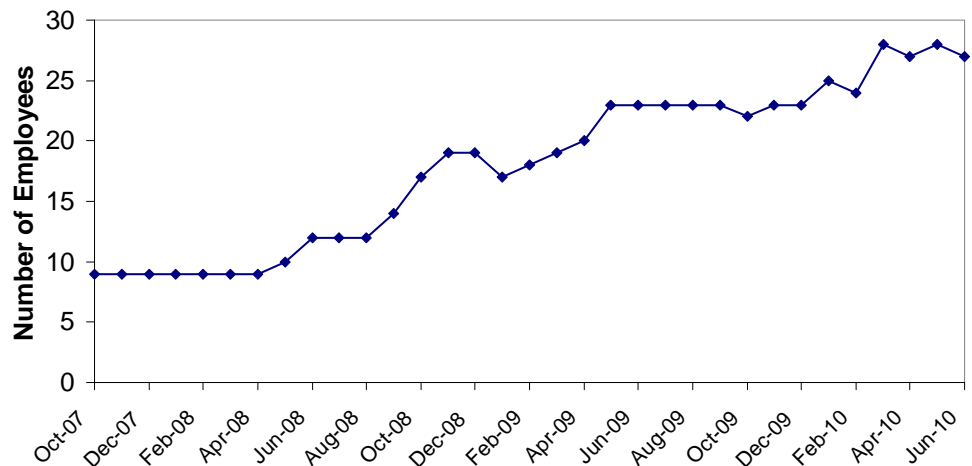
Call System Personnel

DMV has two contracts with the same vendor to provide similar services such as answering general, driver, vehicle, and ALIR calls and e-mails. By using employees under one contract to answer calls paid for under another contract, DMV may be paying twice for the same services. The call center contract stipulates the vendor will answer all general calls while utilizing employees already paid for under the ALIR contract to meet contract requirements until the vendor trains additional employees. However, after hiring and training new employees, the vendor continued to use some of the ALIR employees to handle call center services. Also, DMV amended the call center contract to include additional services performed by ALIR vendor employees. The flat rate for the ALIR contract should have been based on a certain number of employees required to provide those services. If fewer employees are required to provide those services, the rate being charged may be too high and could be reduced.

DMV has not conducted an analysis to determine the adequacy and cost effectiveness of the additional services provided by the vendor. According to the business proposal submitted for the call center contract, the vendor planned to use nine of its employees working under the ALIR contract in DMV's call center to help with the transition for the general call center employees. The vendor began general call answering services in June 2008 and added two new employees to address those calls. According to both the vendor and DMV, five people are needed to answer the average number of general calls. In July 2010, the vendor only used 3 of its 23 non-supervisory employees for general calls and 5 for ALIR phone support. The remaining 15 employees answered driver and vehicle calls.

Since June 2008, the vendor increased the number of call center employees under the ALIR contract to 27 in June 2010. Some of these employees answer overflow driver and vehicle calls if DMV employees are not available and there are no ALIR calls requiring attention. The call center contract specifically states vendor employees answering general calls will not be allowed access to the DMV Phoenix system while the ALIR contract requires vendor employees to have knowledge and use of the system. Therefore, the vendor utilizes employees under the ALIR contract to handle overflow driver and vehicle calls. See Chart 2.2 for the number of vendor employees by month.

Chart 2.2: Number of Vendor Employees from October 2007 – June 2010



Source: DMV

The employees answering the overflow driver and vehicle calls are paid on a per call basis while the ALIR contract is based on a flat rate. The call center contract was amended in November 2009 to include e-mail answering services; however, DMV agreed to pay the vendor per e-mail. The ALIR contract specifically includes requirements for the vendor to create a phone support center and help desk responsible for answering e-mails for a flat rate. According to DMV officials, the number of overflow driver and vehicle calls/e-mails differ significantly based on many variables. DMV decided to pay the vendor per call/e-mail rather than react and change staffing levels to adjust for the additional activity.

Recommendations

1. The Department of Motor Vehicles should renegotiate one of their contracts to avoid paying the same vendor for personnel services paid under one contract while using those same employees to provide services paid under a different contract.
2. The Department of Motor Vehicles should determine the current cost of providing in-house services prior to contracting for those services with a vendor.

3. The Department of Motor Vehicles should track DMV and vendor call center employees separately to determine if the vendor is meeting contract specifications for answering overflow driver and vehicle calls.
4. The Department of Motor Vehicles should immediately discontinue paying for the unauthorized additional e-mail answering services for the call center contract unless approved by the Materials Management Office of the State Budget and Control Board.

Customer Queuing System Contract

DMV contracted with a vendor in September 2009 to provide customer queuing systems in DMV field offices. Specifically, the vendor is required to establish an electronic, web-based customer queuing system that could replace the old system and allow DMV to better monitor and record statewide wait times at DMV offices in order to improve customer service. The contract requirements also include the development of a new system and the implementation of the system in field offices across the state. However, the contract's requirements do not include a time period DMV expects the vendor to complete certain work.

DMV has one contract for the system itself for \$225,000 and another for seven years of maintenance for \$332,000. Both of the contracts began in September 2009; however, the agency has not paid for the first year of maintenance. As of August 2010, the vendor had only installed the new queuing system and had not implemented it in any field office to monitor wait times. Therefore, DMV has not required any maintenance.

The contract and vendor response do not stipulate any timeline for installing and implementing the new queuing system. According to DMV officials, the agency monitors the vendor on a day-to-day basis to evaluate its compliance and performance in regard to efficiency. Without written expectations for the vendor, there is less assurance that the vendor will complete its work in a timely manner and no method for DMV to adequately measure the vendor's performance.

Recommendation

5. The Department of Motor Vehicles should include language in contracts stipulating a required timeline for services rendered when installing and implementing new systems.

Implementation of Recommendations in 2007 Audit

Wait Time Measurement and Goals

In our 2007 audit report, we made 26 recommendations regarding the Department of Motor Vehicles. We found that 10 of the recommendations had been fully implemented, 3 had been partially implemented, and 13 had not been implemented.

(1) The Department of Motor Vehicles should establish a written definition of wait time in order to provide consistency in measurement and reporting.

This recommendation has been implemented.

In July 2009, DMV implemented a written policy that defined the average wait time as the “average amount of time all customers wait in an office to reach a service window.” We had recommended that DMV define wait time because offices were not measuring wait times consistently and useful comparisons cannot be made among field offices.

(2) The Department of Motor Vehicles should implement controls to increase the consistency with which it measures customer wait times at its field offices.

This recommendation has been partially implemented.

DMV continues to use an automated queuing management system (see p. 11) in its higher-volume field offices to manage and measure wait times. However, the queuing system has not been installed in the remaining field offices. DMV policy states that “there is not a consistent and reliable method to calculate average wait times for offices without a queuing system.” For those offices, steps are to be taken to reduce wait times if there are three or more customers waiting to be served.

(3) The Department of Motor Vehicles should develop annual written wait time goals for its field offices.

This recommendation has been partially implemented.

For those offices with a queuing system, DMV policy states that “[t]he acceptable average wait time is established as twenty (20) minutes for all offices.” There is no annual written wait time goal for those field offices without a queuing system.

(4) The Department of Motor Vehicles should report wait time statistics for each field office to the public.

This recommendation has not been implemented.

DMV continues to report the average annual statewide wait time in its annual accountability report. However, DMV does not report wait time statistics for any field office to the public. Historical information on wait times could inform the public on the usual busiest days and times at a field office. This information could allow customers to better plan when to go to a field office.

Variation in Customer
Wait Times and Staff
Workload

(5) The Department of Motor Vehicles should use a written methodology to determine staffing levels at its field offices to minimize variation in customer wait times and staff workload.

This recommendation has been implemented.

DMV uses a field administration staffing plan to determine guidelines for staffing field offices. The plan takes into account the number of transactions, the average time to process the transactions, and the types of transactions. Funding has been the main reason for the changes in staffing levels.

Extended Hours

(6) The Department of Motor Vehicles should implement a written methodology for determining its office hours.

This recommendation has not been implemented.

DMV has not implemented a written methodology for determining its office hours. DMV offices that provide Saturday services now only offer Saturday office hours on the 2nd and 4th Saturday of each month rather than every Saturday. If DMV had a written methodology to formally analyze office hours, it could identify additional ways to increase convenience for customers and better utilize its staff. This methodology could list the factors to be considered when determining office hours and require DMV to evaluate the office hours based on these factors on a regular basis.

(7) The Department of Motor Vehicles should establish a written methodology for determining when to open, expand, or close field offices.

This recommendation has not been implemented.

DMV does not have a written methodology for determining when to open, expand, or close field offices. DMV now opens some field offices only on Tuesdays and Thursdays. If DMV had formal criteria to evaluate the need for field offices, it could more accurately determine where there is an increased need for more space and staff or when field offices need to be closed.

(8) The Department of Motor Vehicles should close the field office in Pageland.

This recommendation has been implemented.

DMV closed the field office in Pageland as of December 1, 2007, due to low office activity and maintenance issues with the building.

Measurement of
Transaction Costs

(9) The Department of Motor Vehicles should annually calculate the cost of conducting its motor vehicle and driver's license transactions.

(10) The Department of Motor Vehicles should establish cost per transaction goals for its motor vehicle and driver's license transactions.

(11) The Department of Motor Vehicles should indicate in its annual accountability report the extent to which it has met its cost per transaction goals.

These recommendations have not been implemented.

DMV has not calculated the cost of conducting motor vehicle and driver's license transactions, established cost per transaction goals for those transactions, or indicated in its annual accountability report that it has met those goals. DMV did work with a benchmarking company in 2007 to calculate DMV's activity costs for the different services provided by DMV. However, this work was discontinued due to budget limitations.

By using cost per transaction data in making management decisions, DMV could use its resources more efficiently. As shown in the call center contract (see p. 7), DMV could use the cost per transaction data to determine the rate that vendors should be paid for providing those services.

Internet and Mail Transactions

(12) The Department of Motor Vehicles should take steps to better communicate to customers the option of conducting transactions online or through the mail.

This recommendation has been implemented.

DMV includes a link on the home page of its website to the public services site where customers can complete many transactions without going to the field offices. DMV also includes references to its website on its press releases and in mailings to customers, such as driver's license renewal forms.

Proceeds from the Sale of Field Offices

(13) The General Assembly should amend state law to allow the Department of Motor Vehicles to retain all of the net proceeds from the sale of DMV field office facilities and the land on which they are located, provided the proceeds are used to purchase, construct, or improve other DMV field office facilities.

This recommendation has not been implemented.

The General Assembly has not proposed any legislation to allow DMV to retain the proceeds from the sale of its field offices to improve, purchase, or construct new field offices. Allowing the use of these proceeds by DMV could improve customer service by better allocating its field office resources.

Fraud Prevention

(14) The Department of Motor Vehicles should conduct fraud training for each new employee.

(15) The Department of Motor Vehicles should ensure that it has the appropriate number of fraud trainers.

(16) The Department of Motor Vehicles should implement a written policy requiring the completion of fraud training by all employees.

These recommendations have been implemented.

In June 2010, DMV implemented a written policy requiring all employees to have fraud training. According to a DMV official, a basic fraud training overview is included in the new employee training class. DMV currently has two American Association of Motor Vehicle Administrators (AAMVA)-certified fraud trainers. However, the AAMVA no longer certifies fraud trainers.

DMV also offers a comprehensive fraud training class that is meant for employees who review the identification documents presented to DMV. Ninety-three percent of those new employees have attended this class and, according to a DMV official, the remaining employees were scheduled to take the class in August 2010.

(17) The Department of Motor Vehicles should conduct credit checks on all employees before they are hired and periodically thereafter as permitted by federal law.

This recommendation has not been implemented.

According to DMV, credit checks are cost prohibitive at this time.

(18) The Department of Motor Vehicles should establish a public hotline to receive tips regarding fraudulent activities.

This recommendation has been implemented.

In 2008, DMV had contracted with a private firm to provide a fraud hotline/web base reporting service. DMV did not renew the contract in 2009 due to lack of funding. DMV does have a page on its website concerning reporting fraud. It includes a phone number for a fraud hotline and an e-mail address which are handled by DMV employees.

(19) The Department of Motor Vehicles should electronically scan all identification documents used by customers to obtain driver's licenses and DMV identification cards.

This recommendation has been implemented.

In December 2009, DMV began making copies of all identification documents used to obtain, for the first time, a driver's license, identification card, or beginner permit. DMV has also received a federal grant which includes funding for a high speed scanner and other equipment to scan these documents.

Error Prevention

(20) The Department of Motor Vehicles should maintain statistics and develop standards regarding its error rates for processing transactions.

This recommendation has not been implemented.

DMV does not maintain statistics or have standards concerning error rates for processing transactions. These errors can include things such as entering incorrect birth dates or social security numbers when processing a driver's license. By not having information about error rates, DMV cannot identify training needs or measure improvements in processing.

Temporary License Plates from Motor Vehicle Dealers

(21) The Department of Motor Vehicles should revise its manual for auditing motor vehicle dealers and wholesalers to require an assessment of their compliance with state law regarding the use of temporary license plates.

This recommendation has been implemented.

DMV has included a review of dealer temporary plates as part of its licensed dealer audits. This review includes the dealer's compliance with state law.

(22) The South Carolina General Assembly should amend S.C. Code §56-3-210 to require that all temporary license plates be designed and produced by the Department of Motor Vehicles. Each temporary license plate should display a unique license plate number, the vehicle identification number, vehicle description, and expiration date.

(23) The South Carolina General Assembly should amend S.C. Code §56-3-210 to increase the penalty for driving without a legal temporary license plate.

These recommendations have not been implemented.

The General Assembly has not considered any legislation requiring DMV to design and produce all temporary license plates. The General Assembly has considered legislation to allow DMV to charge an administrative fine to licensed motor vehicle dealers or persons or businesses who violate licensing laws. This legislation did not pass.

Loss of Federal Grant
Funds

(24) The Department of Motor Vehicles should design and manage grant projects so that federal funds are fully utilized.

This recommendation has been partially implemented.

DMV received three grants for FY 07 and FY 08 from the Federal Motor Carrier Safety Administration (FMCSA) totaling approximately \$1.85 million. Of those funds, about \$56,000 were de-obligated by the FMCSA because they were not spent. For FY 08 and 09, DMV received about \$950,000 in two grants from the FMCSA. DMV has not spent over \$700,000 from these grants and requested extensions from the FMCSA.

DMV stated that the funds were de-obligated due to limits on state travel, lack of pay raises, and the transfer of a grant to another agency. DMV applied for extensions of two grants due to a delay in issuing computer specifications by the federal government and DMV's request to transfer funds within a grant to purchase additional equipment and supplies.

Notifying Other States of
Driver Convictions in
South Carolina

(25) The Department of Motor Vehicles should coordinate with all entities required by state law to inform the department when motorists are convicted of violating traffic laws. The department should work with these entities to facilitate the transfer of conviction information within the period required by state law.

(26) The Department of Motor Vehicles should report to the Federal Motor Carrier Safety Administration a projected date for compliance with federal regulation 49 CFR 384.209.

These recommendations have not been implemented.

According to a DMV official, DMV is still working with S.C. Court Administration on the implementation of a case management system in the courts. DMV is also working with the S.C. Department of Transportation, S.C. Department of Public Safety and S.C. Court Administration on a system to exchange accident and violation data. DMV will report a projected date for compliance with the federal requirement to report traffic convictions within 10 days when the case management systems have been completed.

Agency Comments

The South Carolina Department of Motor Vehicles (SCDMV) offers the following comments in response to the Legislative Audit Council's (LAC's) November 2010 audit report.

The first section of this document addresses the audit's assertions regarding the agency's management of three different contracts awarded to vendors through the state's Request for Proposal (RFP) process. The second section of this document includes the agency's response to specific recommendations made as a result of this audit. The third section of this document summarizes the agency's responses to a review of 2007 audit recommendations.

SECTION 1 – AUDIT RESULTS

Contract Management

The recent LAC audit focused on SCDMV's management of three different contracts, the Call Center contract, the Automobile Liability Insurance Reporting (ALIR) contract and a Customer Queuing contract.

Call Center Contract

Through this contract awarded in June 2008, a vendor answers and responds to select telephone calls and emails from customers. This contract was awarded through the state's RFP process.

SCDMV drafted and published the RFP for the Call Center contract in an attempt to improve customer service levels and reduce operating costs. For some time, SCDMV had struggled to efficiently manage the volume of telephone calls received in this call center. Wait times for customers attempting to reach a call center agent and the number of abandoned calls were high. Temporary employees represented a significant percentage of the Call Center workforce, which resulted in high turnover and constant retraining. The level of customer service provided was not acceptable.

This outsourcing project has been a tremendous success for our agency. Over the past 12 months, the vendor has answered and responded to 57% of all calls received. The following table illustrates this success in terms of customer service, performance and cost:

Fiscal Year	Total Call Center Expenditures (payroll and operating)	Call Volume	Average Speed of Answer	Abandoned Calls	Busy Signals (received by customer)
2008	\$2,261,125.04	662,639	1:45	89,243	5,076
2009	\$2,126,411.65	692,570	1:01	46,425	1,126
2010	\$1,848,766.39	715,301	0:38	29,555	270
Savings	\$412,358.65				

Moreover, customer service surveys conducted for the agency by the University of South Carolina indicate that the level of customer satisfaction has increased over the performance period of this contract.

Finance

The Call Center contract requires the vendor to answer and resolve all General Calls received. In 2007, SCDMV received 137,000 General Calls. The contract has been amended once since award in June of 2008 to include “overflow” calls from the driver and vehicle areas. “Overflow” calls occur when the number of calls received exceeds the capacity of agency employees to respond in a timely manner.

Regarding the contract amendment made by SCDMV to answer “overflow” calls, the LAC Audit states that “DMV did not conduct a comparative cost analysis to determine how much the amendment was worth, but instead accepted the rate provided by the vendor”. Prior to issuing the RFP, SCDMV did, in fact, conduct a cost analysis of our Call Center so that we would be able to compare our internal operating costs to the cost of services proposed by vendors. The industry standard performance measure is cost per call, so that cost measure was used. SCDMV calculated our internal cost/call at \$3.75.

The winning vendor proposed a firm, fixed rate price that equated to a cost per call of \$1.88, based on an estimated call volume of 137,000 General Calls. Four months later, when the contract was amended to include “overflow” calls, the vendor proposed a cost per call of \$2.00. The vendor proposed a different cost model (cost per call v. fixed cost) because SCDMV could not accurately estimate the number of overflow calls to be answered. The \$2.00 rate proposed by the vendor compared favorably to the internal cost that SCDMV calculated just four months earlier.

The audit also states that in 2007, a consulting company hired by the agency calculated our cost per call to be \$1.65. However, that vendor incorrectly calculated that SCDMV received and responded to 2.1 million calls in 2006. SCDMV only answered and responded to 738,997 calls in 2006.

Procurement

In November of 2009, SCDMV requested that the vendor begin assisting with emails sent by customers to the Call Center. We receive approximately 33,000 emails per year. The LAC Audit report points out that SCDMV did not issue a contract amendment or change order to authorize the addition of email answering services.

Within the context of the Call Center contract, SCDMV believes that a question emailed by a customer is the same as a question asked by a customer via telephone call. They are both common delivery channels for assisting customers that we have used in our Call Center for a number of years. Prior to requesting email services from the vendor, SCDMV consulted with ITMO to see if they agreed that emails and phone calls were the same under the contract. While no written opinion was requested or received, an ITMO representative agreed with our assessment.

SCDMV will immediately consult with MMO to determine if a contract amendment should be issued to include email answering services.

Monitoring

Another audit finding states that SCDMV does not adequately monitor the vendor's performance to ensure contract requirements are met. SCDMV carefully measures and monitors all activity within our Contact Center to ensure that the vendor meets contract requirements. The contract that governs General Calls requires the vendor to answer 80% of the calls received within two minutes, have an average speed of answer of 30 seconds, and an average abandoned rate no higher than 5%. On a daily basis, SCDMV managers pull these key performance measures to determine if service level agreements are being met.

Only vendor employees answer General Calls so SCDMV is able to carefully monitor call activity for vendor employees on a daily basis to determine that these contract requirements are being met. The vendor has consistently met or exceeded contract requirements since inception of the contract. For example, the table below charts the vendor's performance against contract requirements since January 2010:

Month	Average Speed of Answer	Abandoned Rate	% of Calls Answered Within 2 Minutes
September 2010	:05	1%	99%
August 2010	:12	2%	95%
July 2010	:05	1%	98%
June 2010	:12	2%	96%
May 2010	:15	3%	94%
April 2010	:10	1%	97%
March 2010	:09	1%	97%
February 2010	:20	3%	91%
January 2010	:17	3%	86%

The LAC audit states that SCDMV does not track call center activity separately for vendor employees answering overflow driver and vehicle calls, so we can not determine if the vendor is complying with the contract requirements. However, SCDMV tracks call center activity for individual employees (SCDMV and vendor employees) in the Contact Center. Call center managers use the features within our phone system and other call center management software to:

- Measure an employee's time on the phone serving customers
- Measure an employee's time spent on each customer call
- Measure an employee's time off the phone
- Report the number of calls taken by an employee
- Report the % of calls transferred (indication that employee could not resolve call)
- Record employee phone calls with customers for assessment and evaluation

Managers meet monthly with each agency and vendor employee to review actual employee performance v. performance goals. Recordings of customer calls are regularly reviewed and suggestions for improvement are discussed.

Please note that the service level requirements for the General Calls contract are different than the service requirements for the Driver and Vehicle contract amendment. SCDMV works to ensure all contract requirements are met.

Call System Personnel

The audit report points out that SCDMV has another contract with the vendor who was awarded the Contact Center contract. Through the Automobile Liability Insurance Reporting (ALIR) contract, the vendor provides our agency with auto insurance reporting services, including a call center function to assist customers and insurance companies. These services are provided on a firm, fixed price basis. The vendor must adjust the level of staffing necessary to handle the volume of ALIR calls at no additional cost to the state. The same is true of the Call Center contract and vendor staffing levels. If the vendor must increase staff to answer all General Skill Calls, there will be no additional cost to the state. The agency agreed to pay a fixed price for this service.

The Call Center vendor has hired new employees to assist with answering overflow calls. SCDMV has allowed the vendor to also use several ALIR help desk employees to assist the Call Center by taking overflow driver and vehicle calls when ALIR call volume is low and the agents have excess time available. The audit report states “by using employees under one contract to answer calls paid for under another contract, DMV may be paying twice for the same services.”

In fact, the agency has saved money by allowing the vendor to leverage existing resources already trained and on site to provide this service. SCDMV would pay the same, fixed price cost for ALIR call center services whether or not some of these employees answer overflow driver and vehicle costs.

SCDMV understands that if the ALIR call volume is low enough to allow a significant percentage of employee time to be spent answering overflow calls, then SCDMV needs to renegotiate our ALIR contract. However, our data shows that ALIR call volume actually increased from 2008 to 2009, climbing from 130,328 calls in 2009 to 134,141 calls in 2010.

SECTION 2 - AUDIT RECOMMENDATIONS RESPONSE

- 1. The Department of Motor Vehicles should renegotiate one of their contracts to avoid paying the same vendor for personnel services paid under one contract while using those same employees to provide services paid under a different contract.**

SCDMV Response: Please see our comments under the “Call System Personnel” heading of this document. SCDMV pays a firm, fixed price for call center services under the ALIR contract and a firm fixed price for General Calls

answered through the Call Center Contract. “Overflow” calls are answered by the vendor at a rate of \$2.00 per call. SCDMV does not agree that we are paying twice for the same service and will continue to monitor both contracts to ensure that the fixed price we are paying remains in line with the services being provided by the vendor.

2. **The Department of Motor Vehicles should determine the current cost of providing in-house services prior to contracting for those services with a vendor.**

SCDMV Response: SCDMV calculated our internal cost per call prior to publishing the RFP through the state procurement office. SCDMV calculated our internal cost per call to be \$3.75 per call.

3. **The Department of Motor Vehicles should track DMV and vendor call center employees separately to determine if the vendor is meeting contract specifications.**

SCDMV Response: SCDMV monitors and measures the performance requirements outlined in the Call Center Contract for General Calls. The vendor’s performance against these requirements is included under the “Monitoring” section of this document. SCDMV also measures the vendor’s performance in answering all “Overflow” Driver and Vehicle calls, although different measures are used.

4. **The Department of Motor Vehicles should immediately discontinue paying for the unauthorized additional email answering services for the call center contract unless approved by the Material Management Office of the State Budget and Control Board.**

SCDMV Response: The Department believes answering calls and e-mails to be one in the same service. Before proceeding with the change, the Department consulted an official at ITMO who agreed. SCDMV will consult with MMO to either gain approval for these services or discontinue these services provided by the vendor.

5. **The Department of Motor Vehicles should include language in contracts stipulating a required timeline for services rendered when installing and implementing services.**

SCDMV Response: SCDMV issued an RFP through the state’s procurement office and awarded a contract to vendor for a customer queuing system. The software has been purchased, although SCDMV has yet to pay for or begin statewide implementation of this system. The entire cost of the new queuing system was funded through a federal grant from the Department of Homeland Security (DHS). DHS urged all states to use this grant money as soon as possible, as officials were reluctant to seek additional federal funding for ongoing state credential security improvements until current grant dollars were committed. Therefore, SCDMV awarded the contract and purchased the system software earlier than originally anticipated. SCDMV will begin to implement this new queuing system before the end of this calendar year. During the last year, we

have worked with the vendor to install, configure, customize and fully test the new queuing software. We have conducted a full production pilot of the system in our Shop Road office. When we are ready to deploy the system, we will develop a definite timeline for installation and implementation.

SCDMV contracts do typically include a more defined timeline for services rendered. We agree that this is an important component of any contract for services.

SECTION 3 – IMPLEMENTATION OF RECOMMENDATIONS IN 2007 AUDIT

The Department offers the following comments concerning the status of recommendations in the 2007 Audit:

Wait Time Measurement and Goals

- 2. The Department of Motor Vehicles should implement controls to increase the consistency with which it measures customer wait times at its field offices.**

SCDMV Response: The audit states that this recommendation has not been implemented. However, policy AD-604, Average Wait Time Reporting, was developed as a result of the 2007 audit and addresses the consistency of measuring wait times. This policy directs the 42 offices with queuing systems (61% of total offices) to monitor and report the same wait time statistics from the queuing management system. Currently, DMV does not have a queuing system in 25 low activity offices and in two sites that process dealer work only. At this time, the activity in these offices does not warrant the costs involved in investing in a queuing system. Generally, wait times do not exceed 10-15 minutes, even during traditionally high activity days during the year. Therefore, policy AD-604 directs these lower activity offices to take measures to reduce their wait times if three or more customers are waiting to be served. Additionally, these smaller offices report occurrences of three or more customers waiting to be served.

- 3. The Department of Motor Vehicles should develop annual written wait time goals for its field offices.**

SCDMV Response: The audit states that this recommendation has been partially implemented. However, policy AD-604, Average Wait Time Reporting, establishes wait time goals for all offices. The acceptable average wait time goal for offices with queuing systems is 20 minutes. Currently, SCDMV does not have a queuing system in 25 low activity offices and in two sites that process dealer work only. At this time, the activity in these offices does not warrant the costs involved in investing in a queuing system. Generally, wait times do not exceed 10-15 minutes, even during traditionally high activity days during the year. For these smaller offices, the written goal is to have no more than two customers waiting to be served at any given time. If three or more customers are

waiting to be served, the managers in these offices are directed to take measures to reduce wait times.

4. The Department of Motor Vehicles should report wait time statistics for each field office to the public.

SCDMV Response: In the past, the Department has reported actual wait times via the Web to the public. We discontinued the practice after receiving complaints from the public. Customers complained that wait times changed significantly between the time they visited the website and arrived at the field office. We will publish days and times that have historically high wait times on our website as information for our customers.

Extended Hours

6. The Department of Motor Vehicles should implement a written methodology for determining its office hours.

SCDMV Response: Generally, state law requires state offices to be open at least Monday – Friday from 8:30 A.M. to 5:00 P.M. Proviso 36.15 in the Appropriations Act authorizes the SCDMV director to develop and implement a plan to reduce the hours in underutilized field offices. The Department has addressed increasing or reducing hours by analyzing many factors including customer demand and available funds. For example, Saturday hours in our six field offices are very popular with customers, but decreases in funding caused the Department to reduce Saturday hours from every Saturday to two Saturdays per month. Conversely, we are operating our Santee and Allendale offices only a few days per week. Customer demand, staff availability, and declining budgets have been factors in reducing hours in Santee and Allendale.

DMV is a partner with local and county governments and must consider their needs as well as the needs of the public we all serve when determining hours. Many factors such as location, customer demand, partnerships, and funding must be considered before changing office hours. Each case should be considered with its own unique set of conditions, making a standard method difficult to develop and implement.

7. The Department of Motor Vehicles should establish a written methodology for determining when to open, expand, or close field offices.

SCDMV Response: The Department of Motor Vehicles operates 69 field offices around the state. South Carolina Code 56-1-130 requires the Department to administer license examinations in the county where the applicant resides; thereby, in effect, requiring SCDMV to operate a facility in each county. Budget funding is also a driving force in making decisions about the operations of our offices. The Department has not built a new facility since 1994 and has elected to lease many of its facilities, some within local government complexes, to avoid high construction costs and to allow SCDMV more flexibility in responding to population and other demographic shifts. It is also important to note that many “non-DMV” services such as voter registration, organ donation registration, and selective service registration are provided at SCDMV field offices. These factors,

along with a community's ability to travel to other offices, must be considered before making office closure decisions.

In order to try to develop a written methodology, the Department surveyed other states through the American Association of Motor Vehicle Administrators (AAMVA). Of the states that responded, none had a formal policy governing the opening, closing, or expansion of field offices. These states included North Carolina, Georgia, Florida, Virginia, and New Jersey. These states reported that such office decisions were governed by budget, condition of the facility, expiration of leases, and the interests of other partners, such as the county tax collectors, to provide services. Most states' motor vehicles departments make these decisions on a case-by-case basis in consultation with the governing bodies of their states.

The Department will continue to monitor our facilities' functionality by measuring customer traffic, transactions processed, and wait times.

Measurement of Transaction Costs

9. The Department of Motor Vehicles should annually calculate the costing of its motor vehicle and driver's licenses transactions.

SCDMV Response: The Department did work with a private company that specializes in cost and performance benchmarking in 2007. The results were very favorable for the Department, but due to budget limitations, we were unable to continue working with the company. The Department does calculate the costs of some of its transactions. For example, we calculate and monitor the costs of all of our license plates, as the agency must determine a cost recovery amount for each plate produced. We have calculated the costs of calls and e-mails answered in our call center. We do calculate the costs of basic products such as drivers' licenses, registrations, and titles. However, the Department has not been able to cost every service and product offered along with every method of receiving that service (office, web, mail, third party vendor, etc.) due to budget constraints. Additionally, internal financial personnel have not been available to work on this project as they have been working on a multi-year project dealing with the implementation of the new SCEIS accounting system.

We agree that it is important to calculate all of our costs and will continue this process as budget and resources allow.

10. The Department of Motor Vehicles should establish cost per transaction goals for its motor vehicle and driver's license transactions.

SCDMV Response: See SCDMV response in Recommendation 9.

11. The Department of Motor Vehicles should indicate in its annual accountability report the extent to which it has met its costs per transaction goals.

SCDMV Response: See SCDMV response in Recommendation 9. Once costs and goals are calculated, they will be included in the annual accountability report.

Proceeds from the Sale of Field Offices

- 13. The General Assembly should amend state law to allow the Department of Motor Vehicles to retain all of the net proceeds from the sale of DMV field office facilities and the land on which they are located, provided the proceeds are used to purchase, construct, or improve other DMV field office locations.**

SCDMV Response: This recommendation has not been implemented.

Fraud Prevention

- 17. The Department of Motor Vehicles should conduct credit checks on all employees before they are hired and periodically thereafter as permitted by federal law.**

SCDMV Response: Credit checks are cost prohibitive at this time. The Department does conduct SLED checks on all new employees. The Department is working with SLED to develop additional background checks (a national NCIC criminal history and wants/warrants check) that can be run before a new employee is hired as well as periodically on all employees. Additionally, the Department is exploring the process for fingerprint background checks on employees with certain types of security clearances.

Error Prevention

- 20. The Department of Motor Vehicles should maintain statistics and develop standards regarding its error rates for processing transactions.**

SCDMV Response: The Department does maintain some information concerning error rates in the agency. Because of the number of employees and the number of transactions processed every year, it would be difficult to track every error made. However, our Office of Integrity and Accountability does review a sample of agency transactions looking for evidence of fraud. During these reviews, errors are found. These errors are tracked in spreadsheets and are forwarded to the driver's license unit, titles and registration unit, and the field administration unit for correction. Repeat errors have been used to identify training needs as well as the basis for disciplinary actions, if needed. In addition, the Department has trained its managers to better detect errors in the office by establishing standards and processes in the new End of Day policy and Manager's Toolkit.

Temporary License Plates from Motor Vehicle Dealers

- 22. The South Carolina General Assembly should amend S.C. Code 56-3-210 to require that all temporary license plates be designed and produced by the Department of Motor Vehicles. Each temporary license plate should display a unique license plate number, the vehicle identification number, vehicle description, and expiration date.**

SCDMV Response: This recommendation has not been implemented.

- 23. The South Carolina General Assembly should amend S.C. Code 56-3-210 to increase the penalty for driving without a legal temporary license plate.**

SCDMV Response: This recommendation has not been implemented.

Loss of Federal Grant Funds

- 24. The Department of Motor Vehicles should design and manage grant projects so that federal funds are fully utilized.**

SCDMV Response: The Department will continue to make every effort to aggressively pursue and fully expend grant funds to help improve our business processes, technology, and overall customer service.

Notifying Other States of Driver Convictions in South Carolina

- 25. The Department of Motor Vehicles should coordinate with all entities required by state law to inform the department when motorists are convicted of violating traffic laws. The department should work with these entities to facilitate the transfer of conviction information within the period required by state law.**

SCDMV Response: The audit states that this has not been implemented. However, SCDMV continues to coordinate, as it has in the past, with SC Court Administration and the SC Department of Public Safety on projects that allow for the electronic exchange of accident and ticket information. The SC Court Administration continues to develop its case management system in most municipal and family courts. This system will serve as the basis for the exchange of information with SCDMV. We are working with Court Administration to proceed with a pilot once the courts are fully on-line and standards have been developed to govern the exchange of information.

- 26. The Department of Motor Vehicles should report to the Federal Motor Carrier Safety Administration a projected date for compliance with federal regulation 49 CFR 384.209.**

SCDMV Response: The Department of Motor Vehicles cannot report a date for compliance until S.C. Court Administration is ready to provide a date to begin piloting exchanges of information with us.

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